

# 'Sale of Edra power assets will slash 1MDB debts'

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## MAJOR MILESTONE:

Overall price, including debts, will be more than RM17b

### KUALA LUMPUR

**1** MALAYSIA Development Bhd (1MDB) has achieved a major milestone in its rationalisation plan with the sale of its power assets to China General Nuclear Power Corp (CGN).

The sale of Edra Global Energy Bhd and its subsidiaries to CGN Group for RM9.83 billion, to be completed in February, will slash a large portion of the strategic development company's debts, analysts said.

The RM9.83 billion is cash equity without debt. The overall price, including debts assumed by the buyer, will be more than RM17 billion.

"The sale will alleviate the pre-existing concern over 1MDB's debts," Kenny Yee, head of research at BIMB Securities Sdn Bhd, told Bloomberg.

"It should be viewed positively by the market because this is a foreign direct investment."

CGN won the international tender for Edra over Tenaga Nasional Bhd (TNB), whose bid for the power assets had raised some concerns about its impact on the national utility's balance sheet.

"In our opinion, we think that the sale of Edra to a foreign party may be positive for TNB as it would not

## 1MDB's POWER ASSETS

1MDB/Edra Global	PPA duration (years)	End	Extension	Stake	Licensed capacity/ Installed gross capacity (MW)	Effective capacity/ net capacity (MW)	Location
Powertek Bhd (previously Tanjong Energy)	21	Jan 13 2016	Dec 19	100	440	440	Malacca
Pahlawan Power	21	Aug 5 2020		100	330	330	Malacca
Panglima Power	23	Feb 27 2024		100	720	720	Malacca
Kuala Langat power plant (previously Genting Sany)	25	Dec 4 2015	2026	75	762	540	Selangor
Jimah Energy Venture (TNB: 20%, N9 state: 5%)	25	Dec 31 2033		75	1,400	1,050	Negri Sembilan
<b>Other countries</b>							
Port Said, Egypt				100	683	683	Egypt
Suez Gulf, Egypt				100	683	683	Egypt
Sidr Krir, Egypt				55	683	376	Egypt
Meghnaghat, Bangladesh				55	450	248	Bangladesh
Haripur, Bangladesh				55	360	198	Bangladesh
NEPC, Bangladesh				52	110	57	Bangladesh
Fauji Kabiwala, Pakistan				23	157	36	Pakistan
Taweelah UAE	20	2028		10	2,000	200	Abu Dhabi

Source: Various, 1MDB, AmResearch

strain TNB's balance sheet. As at end-August, TNB's net gearing stood at 0.5 times," said AmResearch in a note to investors earlier this month.

Edra owns 13 power assets, including eight abroad. With 3,112-megawatt capacity in Malaysia, it is the nation's biggest independent power (IPP) producer after Malakoff Corp. It is already the largest IPP in Bangladesh and Egypt.

1MDB had announced its rationalisation plan in February, aimed at reducing its RM42 billion debts. It

faced cash-flow problems after the plan to list Edra was delayed due to unfavourable market conditions.

The sale of Edra assets is one of three major agreements that 1MDB hopes to finalise by year-end.

The other two are RM16 billion from a debt equity swap with Abu Dhabi wealth fund International Petroleum Investment Company and RM10 billion to RM11 billion from the sale of land and equity in Bandar Malaysia.

In an interview last month, 1MDB president and group executive di-

rector Arul Kanda said more than 80 per cent of its debts were long term in nature, while the short-term debts could be managed through proceeds from the sale of Edra.

At the time, Edra power plants were generating a revenue close to RM5 billion.

While there was some concern about foreign investors having control of utility companies in Malaysia, some analysts pointed out that such a move could be good for the industry as well as serve national interests.